



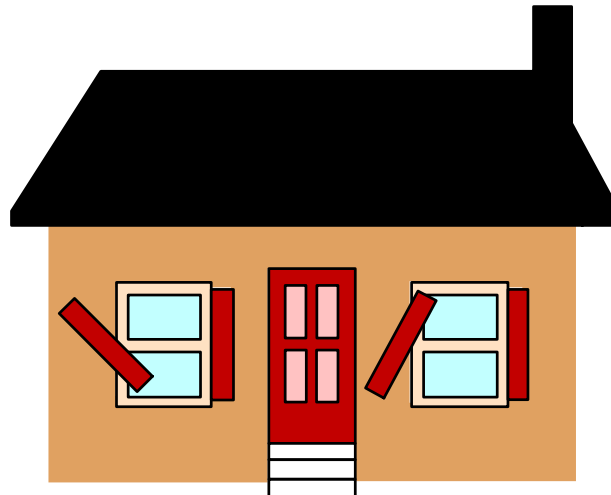
# **BUILDING HOME**

## **Homeowner Rehabilitation Activities**

# Homeowner Rehabilitation



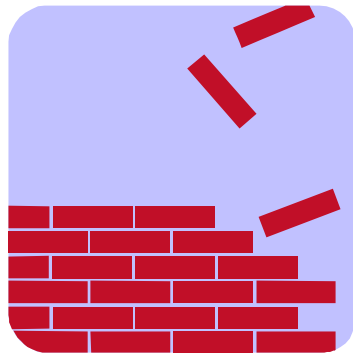
- This chapter covers:
  - ◆ Eligible activities and forms of assistance
  - ◆ Property types and eligible households
  - ◆ Program design issues



# Eligible Activities



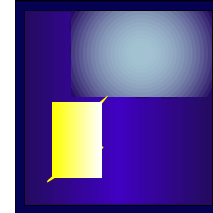
- Assist eligible owner-occupants with:
  - ◆ Repairs
  - ◆ Rehabilitation
  - ◆ Reconstruction



# Special Purpose Homeowner Repairs



- These programs are ineligible IF the property does not meet minimum property standards upon completion:
  - ◆ Weatherization
  - ◆ Emergency repair
  - ◆ Handicapped accessibility



# Forms of Assistance



## ■ Most common:

- ◆ Grants
- ◆ Deferred payment loans
- ◆ Interest or non-interest bearing loans



## ■ Can also use:

- ◆ Loan guarantees
- ◆ Interest subsidies
- ◆ Other forms approved by HUD

# Eligible Costs (I)

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- Hard Costs
  - ◆ Actual rehab
  - ◆ Accessibility improvements
  - ◆ Utility connections
- Soft Costs
- Relocation Costs



# Eligible Costs (II)

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- Refinancing existing debt is eligible if:
  - ◆ Housing is owner-occupied
  - ◆ HOME funds are ***loaned*** for rehab
  - ◆ It reduces costs to borrower and housing is made more affordable
- Consider:
  - ◆ Needs of the household
  - ◆ Impact on your HOME budget



# CHDO & Nonprofit Roles

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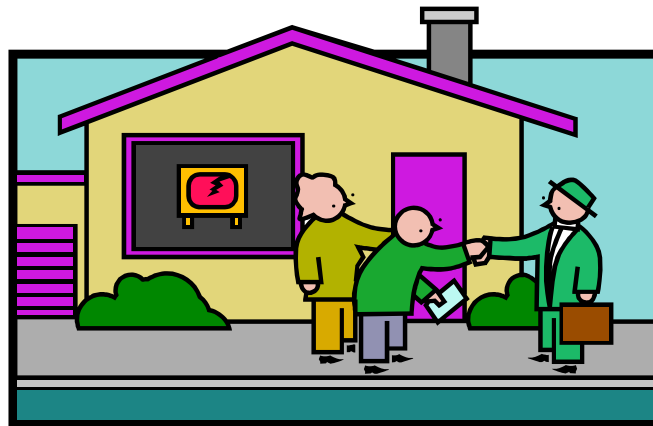
- Homeowner rehab is NOT an eligible CHDO set-aside activity
- Nonprofits may act as:
  - ◆ Subrecipient
  - ◆ Administrator
  - ◆ Community advocate/advisory group
  - ◆ Counselor to owners



# Eligible Property Types



- To be eligible, housing must be:
  - ◆ Occupied by income-eligible homeowner
  - ◆ The owner's principle residence



# Eligible Property Types



- Types of eligible housing:
  - ◆ Single-family housing
  - ◆ Condo unit
  - ◆ Coop or mutual housing unit if recognized by state law
  - ◆ Manufactured home



# Maximum Property Value

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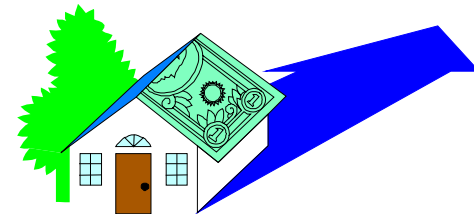


- Value after rehabilitation must not exceed 95% of median purchase price for the area
- Determining the 95% of median value:
  - ◆ Use mortgage limits established by HUD for the 203(b) program OR
  - ◆ Perform local market survey

# Property Value



- Individual property value must be determined prior to performing any work
- Establish after-rehab value using:
  - ◆ Appraisal including added value of rehabilitation
  - ◆ Unofficial estimate
  - ◆ Tax assessment if based on market value of comparable unit to post rehab



# Property Standards (I)



- PJs must have written rehab standards
- All rehab projects must meet written standards **and** state/local codes
- Or, if no local code exists:
  - ◆ Uniform Building Code, National Building Code or Standard Building Code OR
  - ◆ CABO One to Two Family Code OR
  - ◆ FHA Minimum Property Standards



# Property Standards (II)



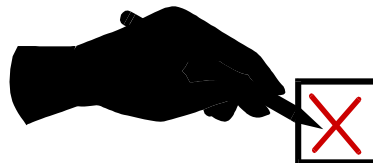
- Cost Effective Energy Conservation and Effectiveness Standards no longer apply
- Permanent utility hook-ups or permanent foundations for manufactured housing not required



# Applicant Eligibility



- Homeowners must:
  - ◆ Be low-income
  - ◆ Occupy the property as their principle residence
- PJs may choose one of the three definitions of income



# Determining Income



- Use one of three definitions
  - ◆ Annual (gross) income under Part 5
  - ◆ Census long form
  - ◆ IRS Form 1040 adjusted gross income
- Document the income
- Complete before assistance







# Definition of Ownership

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- Fee simple title
- 99-year leasehold interest
- Ownership in a condominium
- Ownership/membership in a coop or mutual housing project (if recognized by state law)
- Other HUD-approved form

# Long-Term Affordability



- No long-term affordability or occupancy requirements

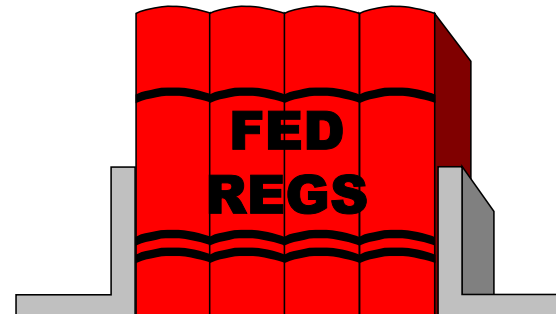




# Other Federal Requirements

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- Other federal requirements that may apply:
  - ◆ Employment/contracting
  - ◆ Environmental reviews
  - ◆ Flood insurance
  - ◆ Lead-based paint
  - ◆ Relocation





# Program Design Issues

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- PJ objectives
- Type and level of assistance
- Selecting applicants
- Staffing/running your program